

Ohio's Future Challenges: A Primer on Demographic Issues

Presented at:

OFB AgriPower Institute: Into the Corridors of Power

Columbus, Ohio – August 22, 2008

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Overview

- ◆ I need to say “something” useful. But bear in mind that I am not omniscient.
- ◆ Discuss future trends for Ohio leaders
 - ➔ What will our leaders face
 - ➔ Some tie-in to agriculture—you will be able to connect the dots.
- ◆ 1. Current Economic Conditions
- ◆ 2. Emerging approaches to local gov’t
- ◆ 3. Education and workforce
- ◆ 4. Immigration

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The success of my talk is not be 100% accurate in predicting the future, but to try to raise issues to stimulate your thinking and to help you understand our future challenges.

Ohio growth patterns.

- ◆ **Ohio's economy lags the nation.**
- ◆ **Who cares—old news... BUT Important!**
 - ➔ **If Ohio returned to the national average in per-capita income: \$13,000+ more income for a family of 4.**
 - ➔ **60,000 more jobs a year if Ohio's job growth equaled the U.S. rate in 2000-07.**
 - ➔ **Private sector investment does not occur with current expectations.**
 - ➔ **Vicious cycle that limits wealth creation.**

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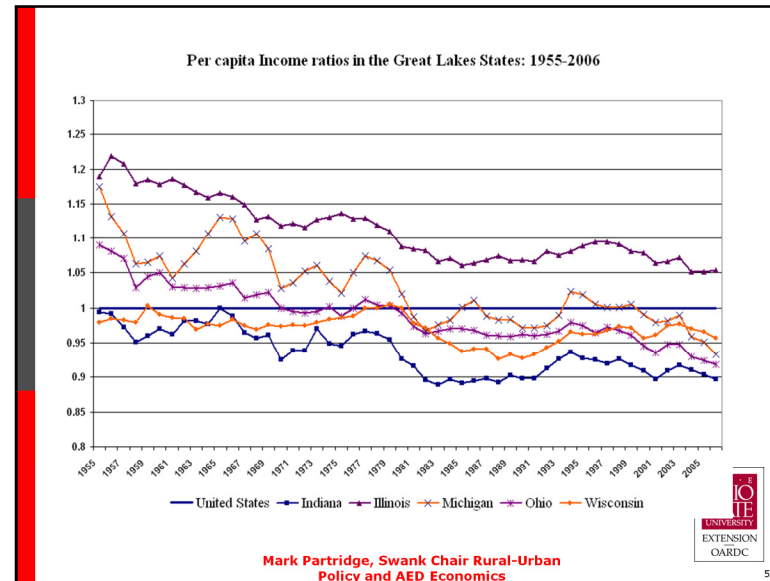
Economic Conditions

- ◆ Popular stories for OH's lagging performance are insufficient.
- ◆ What are the trends?
 - **For details and sources, OSU Growth and Change series on Swank website.**
 - *Does Enhancing Ohio's Small Businesses and Entrepreneurs Provide the Key to Growth?*
 - *Employment Growth, Future Prospects, and Change at the Ohio Rural-Urban Interface.*
 - *Population Change in Ohio and its Rural-Urban Interface.*

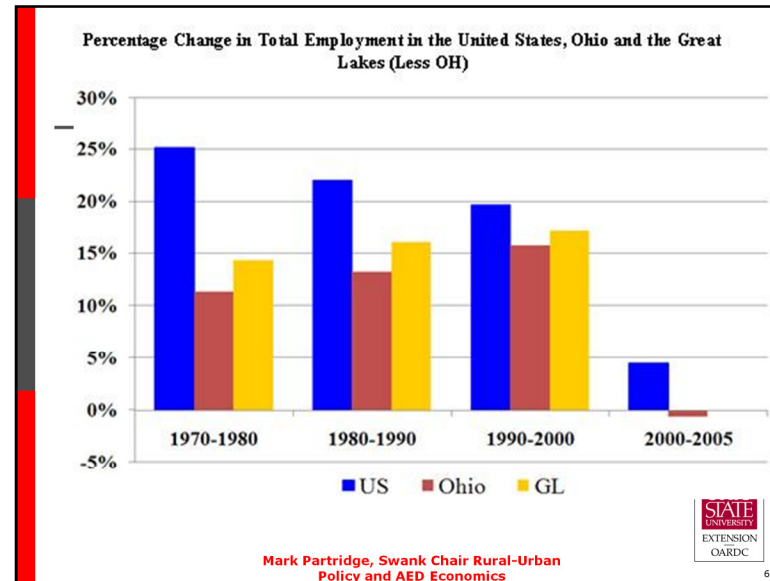
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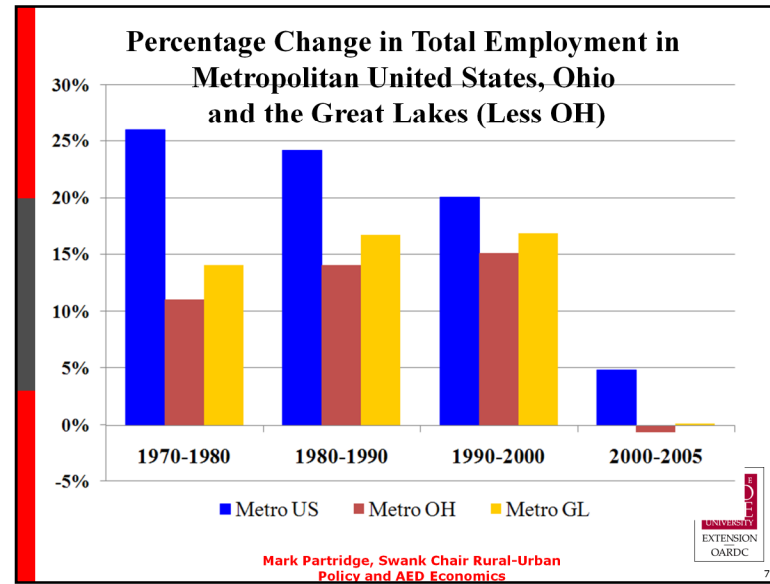
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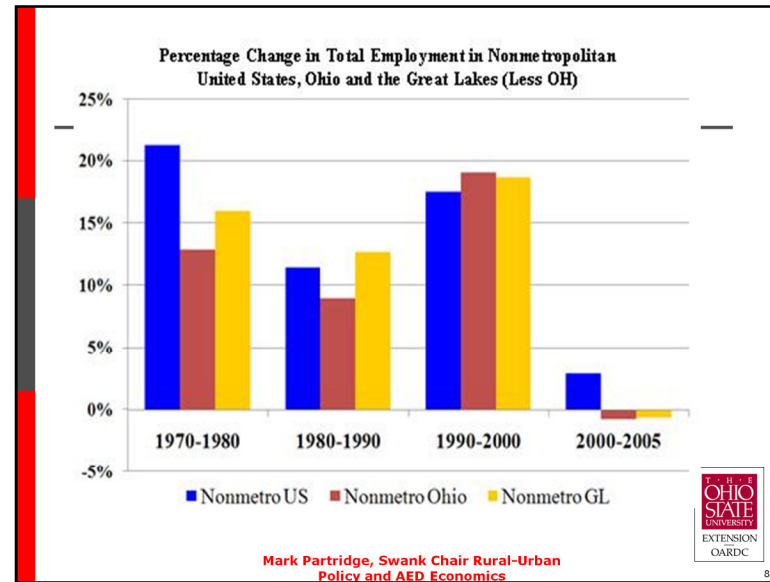
Ohio in purple. In mid '50s, OH was almost 10% above U.S. average—today, OH is almost 10% below the U.S. average.



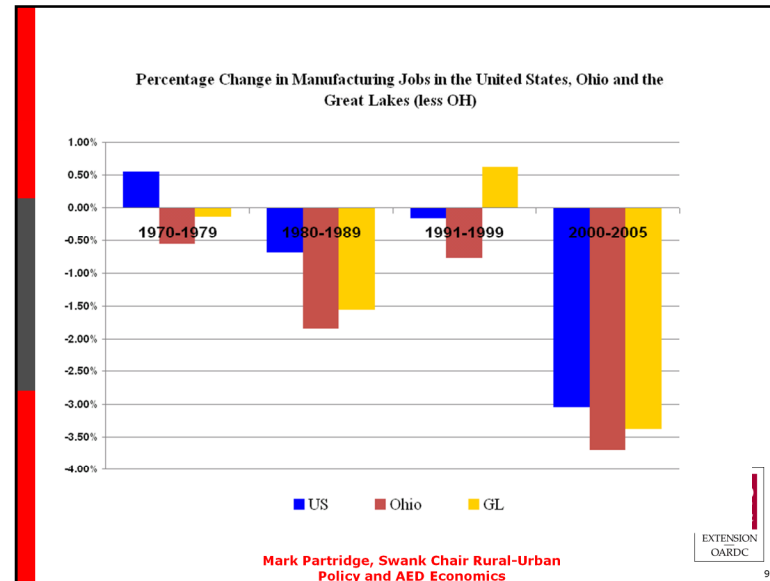
OH compared to U.S. and our Great Lake State peers (Rust Belt). Great Lake States all have a manufacturing history, settlement history and weather that drives Sunbelt migration. So doing worse than them is particularly alarming for Ohio's future.



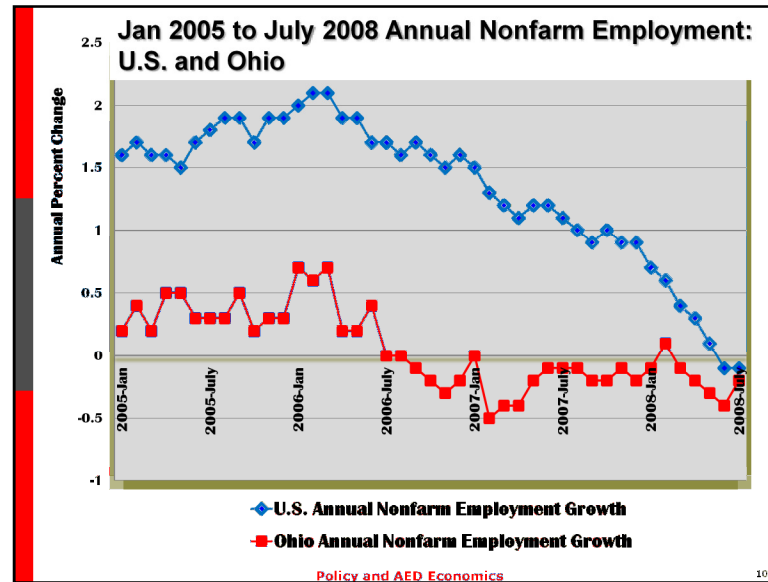
Metro OH has lagged in all 4 periods



Nonmetro OH's performance is not so bad since 1990 compared to the U.S. and GL state averages. Metro OH is where OH's recent problems are concentrated.



The state job growth story is NOT manufacturing in the sense that other places have had to deal with manufacturing problems. Auto sector's job losses are also relatively small share of overall state jobs. We perform worse in manufacturing than our peer GL states—and again, they have similar settlement history, weather, manufacturing history. Simple explanations are not good.



Source, U.S. Dept. of Labor, www.bls.gov

Economic Summary

♦ **Ohio lags Great Lakes—i.e., not manufacturing; not climate; not location.**

➔ **Trade is at most a minor cause—timing is not right**

➔ **Trade deficits began in early 80s**

➔ **NAFTA began in 1994**

➔ **China became a force after 2000**

➔ **The recent export surge has greatly benefited agriculture (*NY Times*, “*Export Boom Helps Farms, Not Factories*”)**

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Illustrating why agriculture needs to praise free trade:

UCHITELLE, Louis. 2008. “Export Boom Helps Farms, Not Factories.” New York Times, August 18, 2008. www.nytimes.com.

“All exports of goods and services in the first half of the year rose at a \$52 billion annual rate, adjusted for inflation, up 7.1 percent. Commodities accounted for 41 percent of the increase and manufactured products contributed just 12 percent, the bureau reported. (The figures strip out such items as arms sales and exports to American territories, like Puerto Rico and the Virgin Islands.)

Such unevenness, favoring commodities, is unusual, given that manufactured products, even by this definition, account for 40 percent of the nation’s exports, while commodities make up only 26 percent and services 30 percent. Indeed, not since the bureau began compiling detailed trade data in 1977 have commodities outpaced manufactured exports for two consecutive quarters.”

Economic—Summary

- ◆ **In global economy, small changes in costs/profits sends entrepreneurs, skilled workers, and investment to the most profitable locations**
- ◆ **Moral: Ohio needs to focus on what it can control and not blame outsiders for our problems.**
- ◆ **What about taxes, education, gov't?**

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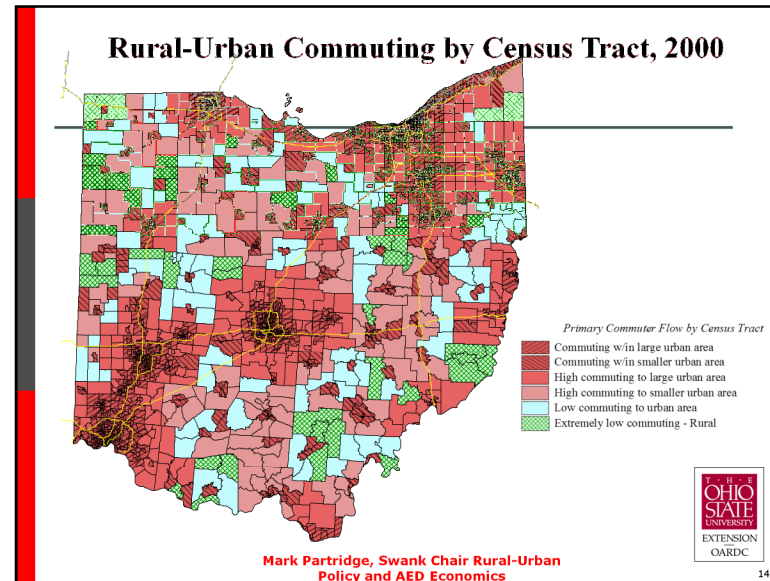
Within Ohio trends and regions.

- ◆ **A key feature is proximity to the core of one of Ohio's largest 5 cities or its many urban areas.**
 - **Commuting patterns show this pattern.**
 - **Growth does not respect county borders**
 - **Separating rural Ohio from urban Ohio is pointless.**



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This map further illustrates the rural-urban interdependence in terms of our livelihood. We can't separate rural from urban Ohio. Also, this overlooks all of the commuting from urban area to urban area and rural area to rural area—that further suggests linkages.

Notes

The above map shows commuter flows to *any* urban area

Definitions:

“High” commuting: More than 30% of the residents living in the census tract commute to any urban area for work.

“Low” commuting: Less than 30% (more than 10%) of the residents living in the census tract commute to any urban area for work.

“Extremely Low” commuting: Less than 10% of the residents living in the census tract commute to any urban area for work.

What can be done in Ohio?

- ◆ **Constraint—no money, tight budgets.**
 - ➔ **2007 OH state and local tax burden is 5th highest in the U.S. (Nat. Tax Found.)**
 - ➔ **Tax incentives are not effective work (Kraybill and Gabe, 2002) and help increase taxes on everyone else including agriculture.**
- ◆ **Tax Policy has been tried—it takes about 5-10 years to have an effect.**



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Source of Tax Burden: "Democrats and the AMT." WSJ, April 14-15, 2007 p. A8 and National Tax Foundation website.

VT, ME, NY, RI are higher,

Then OH at 12.4%

Then HI, WI, CT, NE, NJ, MN, CA, AR, MI, KS.

What can be done?

- ◆ **Good governance promotes wealth creation and reduces risk premium for business.**
 - **Better governance to compete in 21st Century through lower costs.**
 - **Better planning.**
 - **Cooperate not compete for econ develop.**

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What can be done?—cont.

◆ Ohio has significant amounts of government:

- Gov't borders and duties were defined 100+ years ago for a different economy & transport.
- Some want to rethink how county and local gov't is administered and use more regional thinking.
- Many in Indiana argue that it has too much local gov't and proposed to eliminate 1,000+ units.
Source: Indiana Gov't & 2007, p. 42. See also Indiana Gov't Reform Commission Report, 2007.
- “Despite the enormous economic, social, and technological changes that have occurred..., Indiana's system of local government would still be very recognizable to Hoosiers from the Civil War era...” Indiana Commission on Gov't Reform, p.42.
- Bi-partisan. Whether you prefer low taxes or more education funding, resources need to be freed up.

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Lessons

Larry Long of Ohio County Commish Association says that if we were a business with our out-dated practices, we would be bankrupt.

I believe the one of the biggest causes is OH's local governance is fragmented and the 'bizarre' local tax structure that forces neighboring communities to compete for jobs.

What can be done?—continued

◇ Education—Workforce—\$\$\$\$

- Ohio lags in early education (K, pre-K)**
- The key problem is Ohio lags in terms of attracting and retaining college grads.**
- In the knowledge economy, growth is highly linked to having high shares of educated workers**
 - Ed Glaeser says “The best strategy is to attract large numbers of educated workers and ‘get out of their way.’”**
 - Think about the emerging “bio economy.”**

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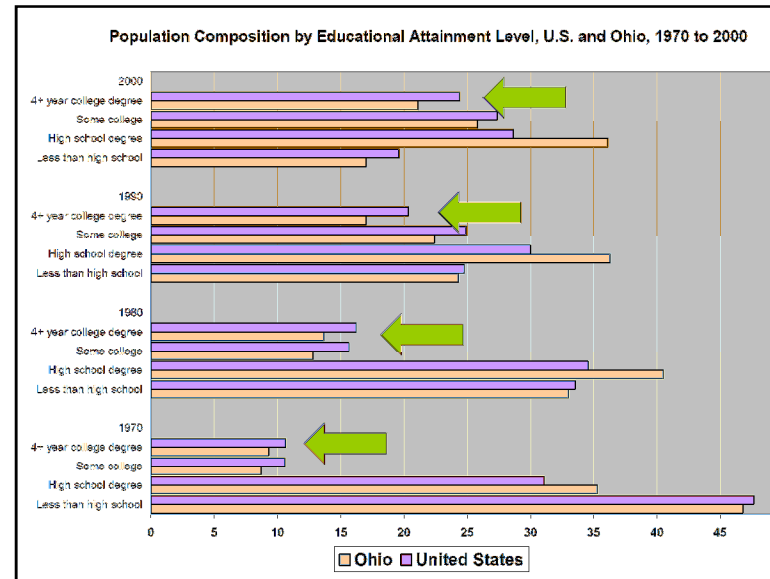


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See the soon to be released Swank policy brief on education.

Sources for growth—human capital link:

Glaeser et al. 1995; Glaeser and Shapiro, 2003; Partridge, 1997; 2005; Simon 1998, 2004); Simon and Nardinelli, 2002)



Immigration and demographic change

- ◆ **Ohio is an aging state.**
 - U.S. median age in 2007: 36.6 years old
 - OH median age in 2007: 37.9 years old
- ◆ **Older population is not conducive to innovation and dynamic economy.**



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U.S. median age: Table 1: Annual Estimates of the Population by Sex and Five-Year Age Groups for the United States: April 1, 2000 to July 1, 2007 (NC-EST2007-01), Source: Population Division, U.S. Census Bureau, May 2008, www.census.gov.

Ohio median age: Table 2: Annual Estimates of the Population by Sex and Age for Ohio: April 1, 2000 to July 1, 2007 (SC-EST2007-02-39), Source: Population Division, U.S. Census Bureau, released May 1, 2008

Immigration & the New Face of America.

- ◆ Foreign born share of U.S. population
 - ➔ **14.8%** in 1890—about the all-time peak
 - ➔ Immigration laws tightened in 1920s
 - ➔ **4.7%** in 1970—about the all-time low
 - ➔ New Immigration law in 1965
 - ➔ **7.9%** in 1990
 - ➔ **12.5%** in 2006
 - ➔ Ohio was only **3.6%** in 2006, ranked 40th
 - ➔ CA 27.2% was #1 & Iowa was tied for 38th
 - ➔ 15.4% in metro America and 4.9% in nonmetro areas

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Between 1990-2006: Metro share increased by 66% and 172% in nonmetro America.

Sources for U.S. data can be found in Partridge, Mark D., Dan S. Rickman, and Kamar Ali "Recent Immigration and Economic Outcomes in Rural America." *American Journal of Agricultural Economics*. (forthcoming, December 2008).

Ohio Data, American Community Survey:

United States and States R0501. Percent of People Who Are Foreign Born: 2006

Universe: Total population

Data Set: 2006 American Community Survey

Survey: **2006 American Community Survey, 2006 Puerto Rico Community Survey**

http://factfinder.census.gov/servlet/GRTTable?_bm=y&_box_head_nbr=R0501&-ds_name=ACS_2006_EST_G00_&-_lang=en&-format=US-30&-CONTEXT=grt

The New Face of America—cont.

◆ Americans need to adjust to this reality.

- Minorities, now roughly $\frac{1}{3}$ of the U.S. population, will be the majority in 2042.**
- By 2023, minorities will be more than $\frac{1}{2}$ of all children.**
- Hispanic population is projected to nearly triple in numbers. Its share of U.S. total population is projected to double from 15% to 30% in 2050.**
- Asian share of the population is expected to rise from 5.1% to 9.2% in 2050.**

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This is nearly quoted from the following press release:

Source for older, more diverse nation is U.S. Census Bureau Press Release:

<http://www.census.gov/Press-Release/www/releases/archives/population/012496.html>

The New Face of America—cont.

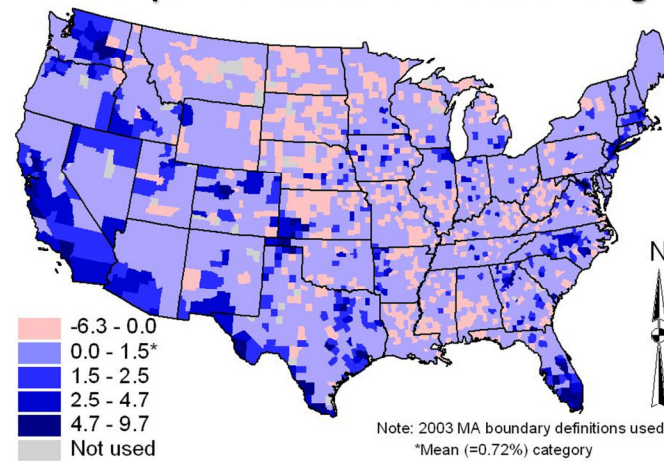
- ➔ **Black share of the population will rise from 14% in 2008 to 15% in 2050.**
- ➔ **Non-Hispanic White share is expected to fall from 66% of the population in 2008 to 46% in 2050.**
- ➔ **Workforce will change as well:**
 - ➔ **Population share in the “working ages” of 18-64 is to decline from 63% in 2008 to 57% in 2050**
 - ➔ **The working-age population is projected to become more than 50% minority in 2039 (up from 34% in 2008).**

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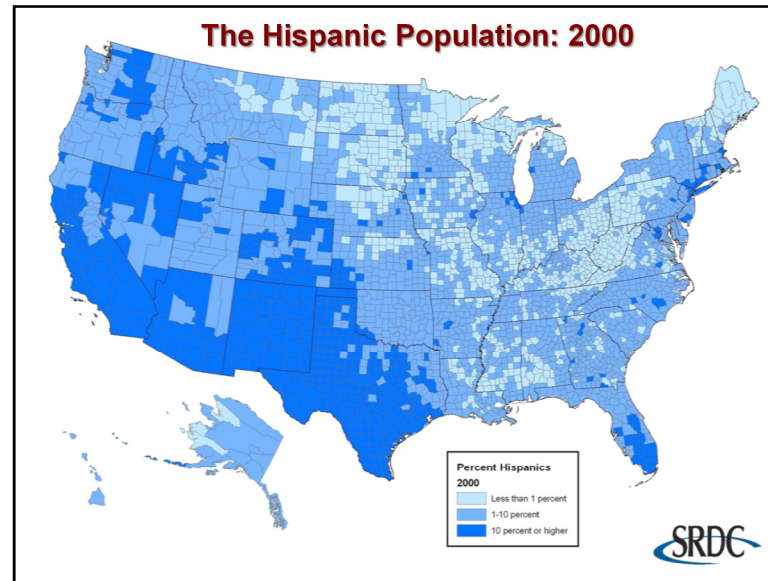
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2000-05 Population Growth Due to New Immigrants.

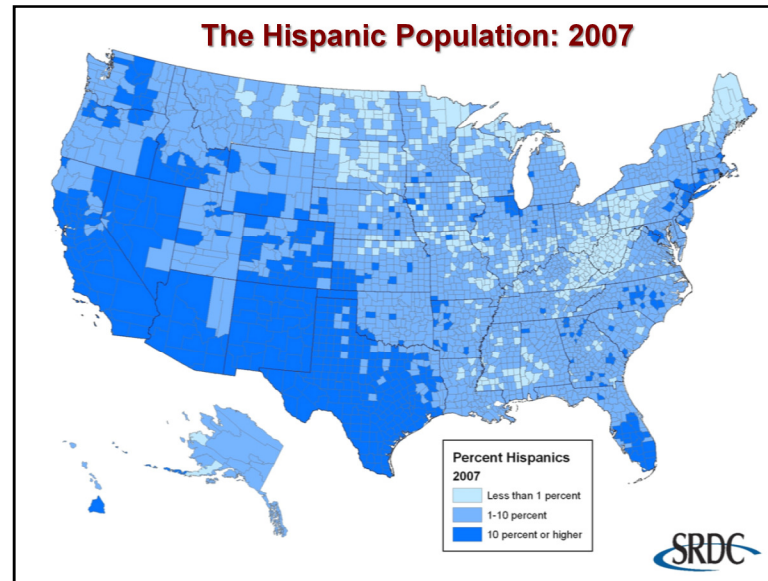


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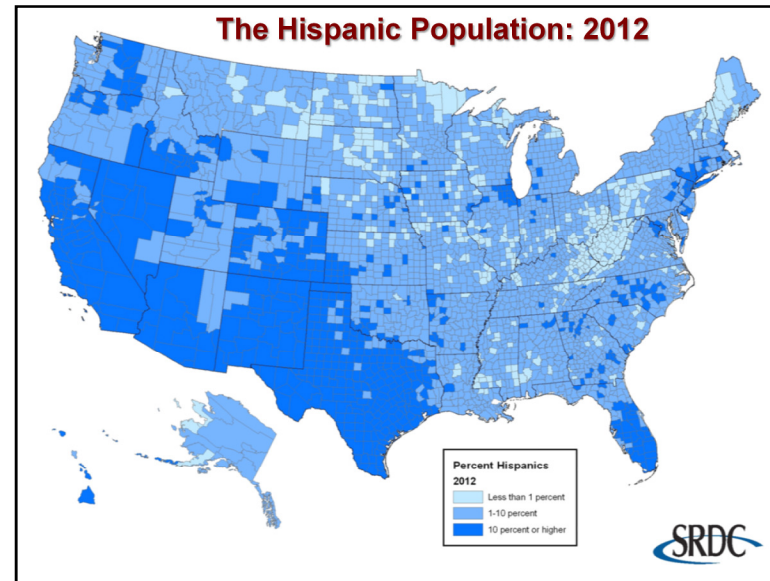
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Source: Southern Rural Development Center, Mississippi State University.



Southern Rural Development Center, Mississippi State University.



Southern Rural Development Center, Mississippi State University.

What does immigration mean?

- ◆ **Likely reduces the wages of low-skilled workers (Borjas, 2003, 2005)**
 - ➔ **It increases competition for low-skilled workers—supply and demand.**
- ◆ **Very little impact on overall worker wages—but worsens income inequality**
 - ➔ **Immigrants complement higher-skilled workers and agricultural workers.**
 - ➔ **The winners and losers show why immigration draws a range of opinions.**

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See Peri, 2007, Borjas, 2003, 2005 and Card 2005.

Immigration

- ◆ **High-immigrant communities face few overall economic effects in the long-run.**
 - ➔ **But, native-born residents tend to move out of communities that receive influxes of immigrants.**

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Immigration

◆ Immigrants are an important labor source in agriculture.

➤ Immigration may have more 'positive' impacts in farming communities (Partridge et al., 2005)

- The "old story" that native workers may not want to do hard, itinerant, seasonal work.
- Agriculture would likely suffer in the near term if immigration was greatly slowed.
- But less in the long-term due to mechanization.



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Farm immigrant labor complements domestic farm labor.

Immigration reform

- ◆ **My guess is little will be done.**
 - ➔ **Why? Republicans want access to labor and Democrats want potential voters.**
 - ➔ **My guess is any 'reforms' will not have a significant effect on agriculture (at least farming), though it will be a headache in terms of documentation.**

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Summary

◆ Ohio's leaders face many challenges

1. Sluggish economy since the 1960s
2. High taxes and calls to reform local gov't. Current policies hurt existing businesses including agriculture.
3. The state faces a knowledge-worker gap that inhibits our competitiveness
4. Immigration is changing the face of our country and possible reforms will affect the industry.

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I'd rather talk about these problems than be forced to be accountable to solve them.

Thank you

**Presentation will be posted at The Ohio
State University; AED Economics;
Swank Program:**

<http://aede.osu.edu/programs/Swank/>

(under presentations)

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Reference Map



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